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AUTHORITY: 42 U.S.C. 1437f and 3535d.

SOURCE: 50 FR 38796, Sept. 25, 1985, unless otherwise noted.

EDITORIAL NOTE: For revisions and amendments affecting Schedules A, B, C, and D, issued under part 888, but not carried in the Code of Federal Regulations, see the List of CFR Sections Affected, in the Finding Aids section of the printed volume and at www.fdsys.gov.

Subpart A—Fair Market Rents**§ 888.111 Fair market rents for existing housing: Applicability.**

(a) The fair market rents (FMRs) for existing housing are determined by HUD and are used in the Section 8 Housing Choice Voucher program (HCV program) (part 982 of this title), Section 8 project-based assistance programs and other programs requiring

their use. In the HCV program, the FMRs are used to determine payment standard schedules. In the Section 8 project-based assistance programs, the FMRs are used to determine the maximum initial rent (at the beginning of the term of a housing assistance payments contract).

(b) Fair market rent means the rent, including the cost of utilities (except telephone), as established by HUD, pursuant to this subpart, for units of varying sizes (by number of bedrooms), that must be paid in the market area to rent privately owned, existing, decent, safe and sanitary rental housing of modest (non-luxury) nature with suitable amenities.

[64 FR 56911, Oct. 21, 1999, as amended at 81 FR 80580, Nov. 16, 2017]

§ 888.113 Fair market rents for existing housing: Methodology.

(a) *Basis for setting fair market rents.* Fair Market Rents (FMRs) are estimates of rent plus the cost of utilities, except telephone. FMRs are housing market-wide estimates of rents that provide opportunities to rent standard quality housing throughout the geographic area in which rental housing units are in competition. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard quality rental housing units in the FMR area. FMRs are set at the 40th percentile rent, the dollar amount below which the rent for 40 percent of standard quality rental housing units fall within the FMR area. The 40th percentile rent is drawn from the distribution of rents of all units within the FMR area that are occupied by recent movers. Adjustments are made to exclude public housing units, newly built units and substandard units.

(b) *Setting FMRs at the 40th percentile rent.* Generally, HUD will set the FMRs at the 40th percentile rent, but no lower than 90 percent of the previous year's FMR for the FMR area.

(c) *Setting Small Area FMRs.* (1) HUD will set Small Area FMRs for certain metropolitan FMR areas for use in the administration of tenant-based assistance under the HCV program. HUD will establish the selection values used to determine those metropolitan areas